

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0880-02
Bill No.: HB 494
Subject: Revenue Dept.; Taxation and Revenue - General; Tobacco Products
Type: Original
Date: February 23, 2009

Bill Summary: Would increase the tax on cigarettes by sixteen cents per pack, with revenue to be deposited in the state general revenue fund.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	\$76,200,000	\$91,440,000	\$91,440,000
Total Estimated Net Effect on General Revenue Fund	\$76,200,000	\$91,440,000	\$91,440,000

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** provided the following response.

Many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assume this proposal would not result in additional costs or savings to their organization. BAP officials stated that this proposal would increase the cigarette tax from 17-cents per pack to 33-cents per pack. BAP notes that \$97.15 million was collected in state cigarette taxes in FY 2008. At the new rate, this proposal would generate \$188.59 million, a difference of \$91.44 million. This proposal would increase general and total state revenues.

BAP notes that this proposal may exceed the limit for tax increases imposed by Article X, Section 18e of the Missouri Constitution. Such limit is estimated at \$89.9M for the 2009 legislative session.

Officials from the **Department of Revenue** and the **Department of Public Safety, Division of Alcohol and Tobacco Control** assume this proposal would have no fiscal impact to their organizations.

Oversight will use the BAP estimate of additional revenues for this proposal. Oversight notes that sales of cigarettes and other tobacco products could be influenced by factors other than the rate of state taxation, and that projections based on past activity may not be an indication of future activity. Since the proposal would become effective August 28, 2009, the impact for FY 2010 would be approximately 10/12 of the impact for a full year or \$76.2 million.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE FUND			
<u>Revenue increase</u> - increase in cigarette tax.	<u>\$76,200,000</u>	<u>\$91,440,000</u>	<u>\$91,440,000</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$76,200,000</u>	<u>\$91,440,000</u>	<u>\$91,440,000</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

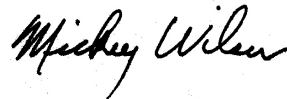
FISCAL DESCRIPTION

This proposal would increase the tax on cigarettes by sixteen cents per pack, with revenue to be deposited in the state general revenue fund.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Office of Administration
 Division of Budget and Planning
Department of Revenue
Department of Public Safety
 Division of Alcohol and Tobacco Control

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 23, 2009